EXHIBIT H

From: Lowenthal, Steven <slowenthal@riverstonecredit.com>
Sent: Monday, July 22, 2019 3:07 PM
To: Hughes, Walt
Subject: FW: Financials & Requested Term Sheets
Attachments: MTE - 2018 Draft Report 7.19.19.pdf; MTE Consolidated Financial Statements - May 2019 vFINAL.pdf; MTE Consolidated Financial Statements - April 2019 vFINAL.pdf; MTE Consolidated Financial Statements - March 2019.pdf; Glasscock LOS 043019.pdf; Reeves LOS 043019.pdf; MDCEL LOS - 2019 05.pdf; MDCER LOS - 2019 05.pdf; 2.11.19.MDC WaterBridge Proposal 2.11.2019 markup.pdf; FW: MDC / SAF refinancing / offtake

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From: Mark Siffin <siffin@maefield.com>
Sent: Friday, July 19, 2019 2:17 PM
To: Abbate, Christopher <cabbate@riverstonecredit.com>
Cc: Lowenthal, Steven <slowenthal@riverstonecredit.com>
Subject: Financials & Requested Term Sheets

[External E-Mail]

Mr. Abbate,

Please see the attached audit draft financials, 1Q-19 financials, April 2019 financials, May 2019 financials, SAF / Blackstone term sheet, and the water deal term sheet as discussed during our July 15th meeting.

Regarding the SAF / Blackstone term sheet - please see the attached email chain which contains the following:

1. Attached: 4.16.2019 Original email to Brian Hunter of SAF
2. Below: 4.26.2019 email from Brian Hunter of SAF, with original terms outlined. Phase 1 is the MDC takeout, with an initial draw as proposed by lenders of $1.27 Billion.
3. Attached: 5.12.2019 SAF/MDC Oryx term sheet detailing 50/50 partnership between SAF & MDC
4. Attached: 5.13.2019 email exchange regarding Oryx / offtake – and term sheet
5. Attached: 5.14.2019 email with initial data room link
6. Attached: 5.14.2019 term sheet (Project Dory) with Citibank/SAF regarding offtake
7. Attached: 5.29.2019 email to Energy Transfer regarding offtake
8. Attached: 5.30.2019 email with Luxe and Oxy data link

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1/9/2022

9. Attached: 6.26.2019 email from Brian Hunter of SAF delivering Permian Egress teaser to MDC
10. Attached: 6.30.2019 model summary sent to SAF last week.
11. Attached: 6.30.2019 water system summary sent to SAF & Stonepeak

We will deliver a clean audit report upon confirmation that a waiver will be provided relating to the late delivery of the audited financials and the current ratio (Natixis covenant). All other ratios were tested by the auditors and verified as in compliance.

The current ratio is less than 1:1 in the audited financials due to additional accruals booked to capture operational activity that was performed in 2018 but invoiced to MDC during 2019. The 3Q-19 draw will cure this current ratio variance.

We are available to discuss should you have any questions.

Thanks

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MTE Holdings LLC and Subsidiaries

Consolidated Financial Report
December 31, 2018

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Independent Auditor's Report

To the Members of
MTE Holdings LLC and Subsidiaries
Midland, Texas

We have audited the accompanying consolidated financial statements of MTE Holdings LLC and Subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2018 and 2017, and the related consolidated statements of operations, changes in members' deficit, and cash flows for the years then ended, and the related notes to consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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The Members of
MTE Holdings LLC and Subsidiaries

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of MTE Holdings LLC and Subsidiaries as of December 31, 2018 and 2017, and the consolidated results of their operations and their cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

(Name of Firm)

Midland, Texas
July XX, 2019

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MTE Holdings LLC and Subsidiaries

Consolidated Balance Sheets
December 31, 2018 and 2017

	2018	2017
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	$ 28,566,552	$ 8,492,387
Accounts receivable - oil and gas sales	989,047	2,380,895
Accounts receivable - joint interest billings	24,234,595	17,314,849
Accounts receivable - derivatives	1,577,000	-
Accounts receivable - accrued oil and gas sales	53,177,640	-
Derivative asset - current	5,487,717	-
Prepaid assets	232,976	160,921
Total current assets	114,265,527	28,349,052
OIL AND GAS PROPERTIES, full cost method		
Proved properties	383,720,877	141,446,558
Unproved properties	249,594	249,594
Accumulated depletion, amortization, and impairment	(100,564,472)	(77,321,935)
Total oil and gas properties, net	283,405,999	64,374,217
NON-CURRENT ASSETS		
Derivative asset - long-term	2,678,050	-
Other property and equipment, net	238,871	128,438
Total non-current assets	2,916,921	128,438
TOTAL ASSETS	$ 400,588,447	$ 92,851,707
LIABILITIES AND MEMBERS' DEFICIT		
CURRENT LIABILITIES		
Accounts payable - trade	$ 45,260,828	$ 5,586,288
Accounts payable - revenue distributions	22,957,803	1,569,299
Accounts payable - related party	964,169	1,258,732
Accrued liabilities	114,243,462	19,922,011
Accrued interest payable	152,404	2,464,131
Asset retirement obligation - current	401,140	180,400
Derivative liabilities - current	-	408,037
Notes payable - current	45,413	-
Total current liabilities	184,025,219	31,388,898
LONG-TERM LIABILITIES		
Asset retirement obligations - long-term	391,249	461,544
Derivative liabilities - long-term	-	134,786
Notes payable - non-current, net of deferred finance cost	313,671,057	125,874,146
Total long-term liabilities	314,062,306	126,470,476
Total liabilities	498,087,525	149,707,176
MEMBERS' DEFICIT	(97,499,078)	(65,007,667)
TOTAL LIABILITIES AND MEMBERS' DEFICIT	$ 400,588,447	$ 92,851,707

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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MTE Holdings LLC and Subsidiaries

Consolidated Statements of Operations
For The Years Ended December 31, 2018 and 2017

	2018	2017
REVENUES		
Oil and gas sales	$ 79,980,289	$ 12,767,213
Salt water disposal	70,613	57,839
Lease bonus revenue	-	48,750
Lease operating overhead revenue	928,965	240,837
Total revenues	80,979,867	13,114,639
OPERATING EXPENSES		
Lease operating expense	20,457,390	4,629,690
Production tax expense	4,119,489	575,491
General and administrative	6,683,040	2,678,597
Loss on extinguishment of debt	12,674,849	-
Depreciation, depletion and amortization	23,302,279	2,826,644
Transaction expense	1,420,767	796,258
Accretion expense	95,982	305,645
Total operating expenses	68,753,796	11,812,325
Income from operations	12,226,071	1,302,314
OTHER (EXPENSE) INCOME		
Realized and unrealized gain (loss) on derivative contracts	8,098,844	(606,199)
Loss on disposal of assets	(6,182)	-
Interest expense	(25,212,209)	(11,719,829)
Total other expense, net	(17,119,547)	(12,326,028)
NET LOSS	$ (4,893,476)	$ (11,023,714)

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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MTE Holdings LLC and Subsidiaries

Consolidated Statements of Changes in Members' Deficit
For The Years Ended December 31, 2018 and 2017

BALANCE, January 1, 2017	$ (60,022,348)
Member contributions	6,038,395
Net loss	(11,023,714)
BALANCE, December 31, 2017	(65,007,667)
Member distributions	(8,997,935)
Repurchase of member units	(18,600,000)
Net loss	(4,893,476)
BALANCE, December 31, 2018	$ (97,499,078)

The Notes to Consolidated Financial Statements are
an integral part of these consolidated statements.

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MTE Holdings LLC and Subsidiaries

Consolidated Statements of Cash Flows
For The Years Ended December 31, 2018 and 2017

	2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES		
Net loss	$ (4,893,476)	$ (11,023,714)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities		
Depreciation, depletion and amortization	23,302,279	2,826,644
Amortization of deferred financing costs	2,728,856	450,509
Accretion expense	95,982	305,645
Unrealized (gain) loss on derivative contracts	(8,098,844)	606,199
Change in operating assets and liabilities		
Settlements of asset retirement obligations	-	(39,353)
Accounts receivable - joint interest billings	(6,919,746)	(16,871,813)
Accounts receivable - derivatives	(1,577,000)	-
Accounts receivable - accrued oil and gas sales	(53,177,640)	-
Accounts receivable - oil and gas sales	1,391,848	(1,432,935)
Prepaid assets	(72,055)	(47,878)
Accounts payable - trade	(74,568,922)	(6,020,955)
Accounts payable - revenue distributions	21,388,504	753,071
Accounts payable - related party	(294,563)	1,044,724
Accrued liabilities	94,321,451	19,922,011
Accrued interest payable	(2,311,727)	(10,442,014)
Net cash provided by (used in) operating activities	(8,685,053)	(19,969,859)
CASH FLOWS FROM INVESTING ACTIVITIES		
Payments from settlement of derivative contracts	(609,746)	(63,376)
Capital expenditures - oil and gas properties	(127,976,394)	(31,932,175)
Capital expenditures - other property and equipment	(170,175)	(30,371)
Net cash used in investing activities	(128,756,315)	(32,025,922)
CASH FLOWS FROM FINANCING ACTIVITIES		
Member contributions	-	3,581,297
Re-purchase of company Class B shares	(18,600,000)	-
Member distributions	(8,997,935)	-
Deferred finance fees	(18,237,172)	(2,962,204)
Proceeds from notes payable	354,500,000	129,895,173
Payments of notes payable	(151,149,360)	(72,000,000)
Net cash provided by financing activities	157,515,533	58,514,266
Net increase in cash and cash equivalents	20,074,165	6,518,485
CASH AND CASH EQUIVALENTS, beginning of year	8,492,387	1,973,902
CASH AND CASH EQUIVALENTS, end of year	$ 28,566,552	$ 8,492,387

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

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MTE Holdings LLC and Subsidiaries

Consolidated Statements of Cash Flows – Continued
For The Years Ended December 31, 2018 and 2017

	2018	2017
SUPPLEMENTAL SCHEDULE OF NON-CASH INVESTING AND FINANCING TRANSACTIONS		
Additions to cost being amortized for increase in ARO liability	$ 54,463	$ 129,354
Accrued interest included in debt principal balance	$ -	$ 1,056,984
Oil and gas properties contributed by members	$ -	$ 2,457,098
Accrued capital expenditures	$ 114,243,462	$ 18,678,241
OTHER SUPPLEMENTAL CASH FLOW INFORMATION		
Interest paid	$ 27,523,936	$ 7,245,972

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

MTE Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Note 1. Summary of Significant Accounting Policies

Nature of Operations

MTE Holdings LLC (MTE) is a Delaware limited liability company formed on June 5, 2014 to hold member interests in MDC Energy LLC (MDC), MDC Texas Operator LLC (MDC Operator), and MDC Reeves Energy LLC (MDC Reeves), its wholly owned subsidiaries (collectively, the Company) (dba MDC Texas Energy LLC in the state of Texas).

The Company is owned by Olam Energy Resources I LLC (50%, Olam) and MTE Partners LLC (50%, MTE Partners) (collectively, the Members). The Company is managed by Olam under the terms of the Limited Liability Company Agreement (the Agreement). The term of the Company is to continue until terminated as per the terms of the Agreement.

MDC is a Delaware limited liability company formed on June 5, 2014 to conduct oil and gas exploration, drilling and development operations in the continental United States. The majority of MDC's operations are located in the Permian Basin in Texas. MDC is 100% owned by MTE.

MDC Operator, a Delaware limited liability company formed on June 5, 2014, acts as operator of the properties owned by the Company in accordance with the terms of a service and operating agreement dated August 27, 2014. MDC Operator is 100% owned by the MTE.

MDC Reeves is a Delaware limited liability company formed on June 2, 2015 to conduct oil and gas exploration, drilling, and development operations in the continental United States. MDC Reeves' operations are located in the Permian Basin in Texas. On the date of formation, MTE exchanged the property described in Note 2 for a 100% ownership interest in MDC Reeves.

Principles of Consolidation

The accompanying consolidated financial statements include the accounts of MTE Holdings LLC and its wholly owned subsidiaries MDC Texas Operator LLC, MDC Energy LLC, and MDC Reeves Energy LLC. All intercompany transactions have been eliminated.

Management Estimates

The preparation of the Company's consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires the Company's management to make estimates and assumptions that affect the amounts reported in these consolidated financial statements and accompanying notes. Actual results could differ from those estimates. Significant assumptions are required in the valuation of proved oil and gas reserves which, as described below, may affect the amount at which oil and gas properties are recorded. Estimation of asset retirement obligations also requires significant assumptions. It is possible these estimates could be revised in the near term and these revisions could be material.

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MTE Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Oil and Gas Properties

The Company follows the full cost method of accounting for oil and gas properties. Accordingly, all costs associated with acquisition, exploration and development of oil and gas reserves, including costs directly related to overhead and related asset retirement costs, are capitalized. Costs incurred to maintain producing wells and related equipment and lease and well operating costs are charged to expense as incurred. Depletion expense for oil and gas producing property, related equipment and drilling costs was $23,242,537 and $2,789,047 for the years ended December 31, 2018 and 2017, respectively. The Company had capitalized costs being amortized of $269,477,415 and $136,334,894, less accumulated depletion and amortization of $47,195,637 and $23,953,100 as of December 31, 2018 and 2017, respectively. The Company had $114,243,462 and $18,678,241 in accrued capital expenditures excluded from amortization as the properties were not producing as of December 31, 2018.

All capitalized costs of oil and gas properties, including the estimated future costs to develop proved reserves, will be amortized on the unit-of-production method using estimates of proved reserves. Investments in unevaluated properties and major development projects are not amortized until proved reserves associated with the projects can be determined or until impairment occurs. If the results of an assessment indicate that the properties are impaired, the amount of the impairment is added to the capitalized costs to be amortized.

In addition, the capitalized costs are subject to a ceiling test, which limits such costs to the aggregate of the estimated present value (discounted at 10 percent) of future net revenues from proved reserves, using the first of the month un-weighted average pricing for the year, based on current operating conditions, plus the lower of cost or fair market value of unevaluated properties. During the years ended December 31, 2018 and 2017, the Company recorded no impairment of oil and gas properties. Accumulated impairment at December 31, 2018 and 2017 was $53,368,835. Sales of proved and unproved properties are accounted for as adjustments of capitalized costs with no gain or loss recognized, unless such adjustments would significantly alter the relationship between capitalized costs and proved reserves, in which case the gain or loss is recognized in the operating results of the Company. Abandoned properties are accounted for as adjustments of capitalized costs with no loss recognized.

Revenue Recognition

Oil and gas revenue is recognized when the product is sold to a purchaser, delivery has occurred, written evidence of an arrangement exists, pricing is fixed or determinable and collectability of the revenue is reasonably assured. As of December 31, 2018 and 2017, the Company had no significant imbalance asset or liability. The Company paid severance and production taxes of $4,056,110 and $575,491 for the years ended December 31, 2018 and 2017, respectively.

MTE Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Revision

The Company has revised the consolidated balance sheet and consolidated statement of cash flows as of and for the year ended December 31, 2017 to correct the presentation of certain accrued capital expenditures. This revision resulted in an increase in accounts receivable – joint interest billings of approximately $3.0 million, an increase to proved properties of approximately $5.1 million and an increase to accrued liabilities of approximately $8.1 million. Cash flows from operating and investing activities were revised by increasing cash flows provided by operating activities by approximately $5.1 million and decreasing cash flows used in investing activities by approximately $5.1 million.

Cash and Cash Equivalents

The Company considers all highly liquid instruments with an original maturity of three months or less at the time of issuance to be cash equivalents.

Accounts Receivable

Accounts receivable – oil and gas sales include amounts due from oil and gas purchasers. Accounts receivable include accrued revenues due under normal trade terms, generally requiring payment within 30 days of production. Accounts receivable – joint interest billings include amounts due from owners of oil and gas properties and billed out by the Company. No interest was charged for the years ended December 31, 2018 and 2017 on past-due balances. The Company's allowance for doubtful accounts is determined based upon reviews of individual accounts, historical losses, existing economic conditions and other pertinent factors. The Company did not provide an allowance for doubtful accounts at December 31, 2018 and 2017, based on management's expectation that all receivables will be collected.

Prepaid Assets

Prepaid assets consist primarily of prepaid drilling and development costs associated with oil and gas properties and prepaid insurance costs, which are amortized using the straight-line method over the term of the insurance policy.

Deferred Financing Costs

Deferred financing costs consist of fees incurred to secure debt financing and are amortized over the life of the related loans using the interest method, which approximates the straight line method. Deferred financing costs were $2,796,173 and $2,545,545, net of accumulated amortization of $219,900 and $416,659 at December 31, 2018 and 2017, respectively. Per FASB ASU 2015-03, deferred financing costs were reported as a direct reduction from the carrying amount of the related notes payable. Amortization of deferred financing costs totaled $219,900 and $416,659 for the years ended December 31, 2018 and 2017, respectively, and was recorded as interest expense in the consolidated statements of operations. Additionally, $2,508,956 of deferred financing costs related to debt retired during 2018 was written off to interest expense as part of the refinancing discussed in Note 6.

Accounts Payable – Trade

Accounts payable – trade consist primarily of vendor obligations due under normal trade terms for services rendered or products received by the Company during ongoing operations. These amounts are recorded as obligations are incurred.

MTE Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Accounts Payable – Revenue Distributions

Revenue distributions payable consists of amounts due to royalty owners which, in certain circumstances, are undeterminable or otherwise unknown. These amounts will be remitted to the appropriate royalty owner as these matters are resolved or escheated to the state, as applicable.

Asset Retirement Obligations

The Company accounts for its asset retirement obligations in accordance with FASB ASC Topic 410, *Asset Retirement and Environmental Obligations* (ASC Topic 410). ASC Topic 410 establishes accounting requirements for retirement obligations associated with tangible long-lived assets, including: 1) the timing of liability recognition, 2) initial measurement of the liability, 3) allocation of asset retirement cost to expense, 4) subsequent measurement of the liability, and 5) related financial statement disclosure. ASC Topic 410 requires that an asset retirement cost be capitalized as part of the cost of the related long-lived asset and subsequently allocated to expense using a systematic and rational method.

The Company's asset retirement obligations relate to future plugging and abandonment costs of its oil and gas properties. Under the provisions of ASC Topic 410, the fair value of a liability for an asset retirement obligation is recorded in the period in which it is incurred with a corresponding increase in the carrying amount of the related long-lived asset. The liability is accreted to its present value each period, and the capitalized cost is depreciated over the useful life of the related asset. If the liability is settled for an amount other than the recorded amount, an adjustment to cost being amortized is recognized.

Income Taxes

The Company is organized as a Delaware limited liability company and is treated as a flow-through entity for federal income tax purposes. As a result, the net taxable income of the Company and any related tax credits, for federal income tax purposes, are deemed to pass to the members of the Company even though such net taxable income or tax credits may not have actually been distributed. Accordingly, no tax provision has been made in the consolidated financial statements of the Company since the federal income tax is an obligation of the members.

The Company follows the provisions of FASB ASC Topic 740, *Income Taxes* (ASC Topic 740), related to accounting for uncertainties in income taxes. ASC Topic 740 provides the accounting for uncertainties in income taxes by prescribing a minimum recognition threshold that a tax position is required to meet before being recognized in the consolidated financial statements. ASC Topic 740 requires that the Company recognize in its consolidated financial statements the financial effects of a tax position, if that position is more likely than not of being sustained upon examination, including resolution of any appeals or litigation processes, based upon the technical merits of the position.

ASC Topic 740 also provides guidance on measurement, classification, interest and penalties and disclosure. Tax positions taken related to the Company's pass-through status and those taken in determining its state income tax liability, including deductibility of expenses, have been reviewed and management is of the opinion that material positions taken by the Company would more likely than not be sustained upon examination. Accordingly, the Company has not recorded an income tax liability for uncertain tax positions. At December 31, 2018, the Company's tax years from 2016 to 2018 remain subject to examination.

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MTE Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

Recent Accounting Pronouncements

In January 2017, the FASB issued an Accounting Standards Update (ASU) 2017-01, *Business Combinations – Clarifying the Definition of a Business*, which clarifies the requirements needed for a transaction to be considered a business and establishes a practical way to determine when a transaction is not to be considered a business. The amendments in this ASU provide an initial screen to determine when an acquisition of an integrated set of assets and activities is not a business. The screen requires that when substantially all of the fair value of the gross assets acquired (or disposed of) is concentrated in a single identifiable asset or a group of similar identifiable assets, the set is not a business. This screen reduces the number of transactions that need to be further evaluated. If the screen is not met, the amendments in this ASU (1) require that to be considered a business, a set must include, at a minimum, an input and a substantive process that together significantly contribute to the ability to create output and (2) remove the evaluation of whether a market participant could replace missing elements.

The ASU provides a framework to assist entities in evaluating whether both an input and a substantive process are present. The framework includes two sets of criteria to consider that depend on whether a set has outputs. Although outputs are not required for a set to be a business, outputs generally are a key element of a business; therefore, the Board has developed more stringent criteria for sets without outputs. Lastly, the amendments in this ASU narrow the definition of the term output so that the term is consistent with how outputs are described in Topic 606.

The amendments will be applied prospectively and is effective for the periods beginning after December 31, 2017, including interim periods within those periods. Early application of the amendments is permitted. The Company prospectively applied early adoption of this guidance in 2017. As a result, acquisitions of oil and gas properties are accounted for as asset purchases going forward. Refer to Note 2 for application of the new guidance.

In August 2016, the FASB issued ASU 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments*. This Accounting Standards Update addresses the following eight specific cash flow issues: Debt prepayment or debt extinguishment costs; settlement of zero-coupon debt instruments or other debt instruments with coupon interest rates that are insignificant in relation to the effective interest rate of the borrowing; contingent consideration payments made after a business combination; proceeds from the settlement of insurance claims; proceeds from the settlement of corporate-owned life insurance policies (COLIs) (including bank-owned life insurance policies (BOLIs)); distributions received from equity method investees; beneficial interests in securitization transactions; and separately identifiable cash flows and application of the predominance principle. The amendments in this Update apply to all entities, including both business entities and not-for-profit entities that are required to present a statement of cash flows under Topic 230. The update is effective for annual reporting periods beginning after December 15, 2018. This Update is the final version of Proposed Accounting Standards Update EITF-15F — *Statement of Cash Flows — Classification of Certain Cash Receipts and Cash Payments (Topic 230)*, which has been deleted. The Company is in the process of determining the effects of this ASU on its consolidated financial statements.

In June 2016, the FASB issued ASU 2016-13, *Financial Instruments – Credit Losses*, which replaces the incurred loss impairment methodology in current US GAAP with a methodology that reflects expected credit losses. The update is intended to provide financial statement users with more useful information about expected credit losses. The amended guidance is effective for fiscal years beginning after December 15, 2020, with early adoption permitted. The Company is in the process of determining the effects of this ASU on its consolidated financial statements.

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MTE Holdings LLC and Subsidiaries

Notes to Consolidated Financial Statements

In February 2016, the FASB issued ASU 2016-02, *Leases*. The guidance requires lessees to recognize assets and liabilities on the balance sheet for the rights and obligations created by leases with terms of more than 12 months. ASU 2016-02 also requires disclosures designed to give financial statement users information on the amount, timing, and uncertainty of cash flows arising from leases. The standard will be effective for annual and interim periods beginning after December 15, 2019, with earlier application permitted. In the normal course of business, the Company enters into capital and operating lease agreements to support our exploration and development operations and lease assets such as drilling rigs, platforms, storage facilities, field services and well equipment, pipeline capacity, office space and other assets. At this time, the Company cannot reasonably estimate the impact ASU 2016-02 will have on the consolidated financial statements.

In May 2014, the FASB and the International Accounting Standards Board (IASB) initiated a joint project to clarify the principles for recognizing revenue and to develop a common revenue standard for U.S. GAAP and IFRS. The FASB has amended the FASB *Accounting Standards Codification* and created a new Topic 606, *Revenue from Contracts with Customers*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

To achieve that core principle, an entity should apply the following steps:

Step 1 Identify the contract(s) with a customer.
Step 2 Identify the performance obligations in the contract.
Step 3 Determine the transaction price.
Step 4 Allocate the transaction price to the performance obligations in the contract.
Step 5 Recognize revenue when (or as) the entity satisfies a performance obligation.

The amendments in this update are effective for annual reporting periods beginning after December 15, 2018. Companies can begin to adopt the standard early for annual reporting periods beginning after December 15, 2016. The Company has evaluated the effect of this pronouncement on the consolidated financial statements and does not believe the impact will be material.

Subsequent Events

The Company has evaluated events occurring subsequent to December 31, 2018, through July XX, 2019, the date these consolidated financial statements were available to be issued. Refer to Note 11.

Note 2. Acquisition of Oil and Gas Property

The Company closed multiple individually insignificant acquisitions of working interests in proven and unproven properties throughout the Permian Basin of West Texas totaling approximately $7,627,000 during the year ended December 31, 2017, of which, $2,457,098 was contributed by the members. These acquisitions increased proved acreage in areas the Company currently owns working interest.

Note 3. Members' Equity Accounts

The Company's membership interests are owned equally by Olam and MTE Partners. These membership interests represent membership issued in exchange for contributions from the Members. Commensurate with the consummation of the agreement, each Member contributed $5,000,000 to the Company upon

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formation with no stated commitment for further contributions. The Members contributed $0 for the year ended December 31, 2018. The Members contributed $6,038,395 for the year ended December 31, 2017, of which $2,457,098 was oil and gas properties and $3,581,297 was in cash.

The membership interest have the rights, privileges, preferences and obligations provided for in the Agreement executed on June 5, 2014, which are generally consistent with an ordinary ownership interest. Distributions shall be made equally to the Members in accordance with their ownership. Distributions shall be made not less frequently than quarterly in the case of net cash flow from operations and promptly following any liquidation event.

Note 4. Related Party Transactions

Transactions between related parties are considered to be related party transactions even though they may not be given accounting recognition. FASB ASC Topic 850, *Related Party Disclosures* (ASC Topic 850), requires that transactions with related parties that would make a difference in decision making be disclosed so that users of the consolidated financial statements can evaluate their significance. The Members and their affiliates are considered related parties.

The Company has an arrangement that utilizes employees of a related party and reimburses the related party for direct costs incurred. For the years ended December 31, 2018 and 2017, $1,308,937 and $672,215, respectively, in payroll expense in relation to this arrangement is included in general and administrative expenses on the consolidated statements of operations.

The accounts payable – related party balance was $964,169 and $1,258,732 for the years ended December 31, 2018 and 2017, respectively.

Note 5. Asset Retirement Obligations

The following table shows the changes in the balance of the asset retirement obligations for the year ended December 31, 2018 and 2017:

	2018	2017
Asset retirement obligations, beginning of year	$ 641,944	$ 246,298
Additions	54,463	129,354
Plugged and abandoned	-	(39,353)
Accretion expense	95,982	305,645
Asset retirement obligations, end of year	$ 792,389	$ 641,944

Note 6. Notes Payable

The Company entered into a Note Purchase Agreement (NPA) on June 26, 2017, allowing for borrowings up to $167,500,000, which was the maximum borrowing capacity. On June 26, 2017 initial funding of $90,000,000 was drawn by the Company to payoff and settle existing debt, including principal and interest, related to a Credit Agreement previously entered into on June 5, 2014 and to pay financing fees, transaction costs, and legal costs related to closing of the Credit Agreement and to fund a cash interest reserve account.

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In consideration for the conveyance of the twenty percent (20%) net profits interest (NPI) assigned to the lender under the Credit Agreement entered into on June 5, 2014, the Company admitted the lender as a Class B Member of the Company and issued Class B Units to the lender in an amount equal to a twenty percent (20%) interest in the Company. As of June 26, 2017, all liens were released and the NPI was conveyed to the Company as a result of the Credit Agreement payoff and the issuance of Class B Units to the lender.

Outstanding balances under the NPA accrued interest at a rate equal to the sum of (i) seven and one half percent (7.5%) plus the greater of (a) the London interbank offered rate as administered by the ICE Benchmark Administration for dollars for a period equal in length to three months two days prior to the commencement of such three month period, and (b) one percent (1.0%) per annum and (ii) two percent (2%) per annum paid in-kind by increasing the principal amount of the outstanding Notes. All outstanding principal amounts and any outstanding accrued interest was scheduled to be paid at maturity on June 23, 2020.

The Company was subject to certain restrictive financial and non-financial covenants under the Credit Agreement, including, but not limited to: annual audited consolidated financial statements; monthly unaudited consolidated financial statements; quarterly unaudited consolidated financial statements; swap agreements; leverage ratio, beginning with the fiscal quarter ending March 31, 2018, not to be greater than 5.75 to 1.00 and PDP Asset Coverage Ratio shall not be less than 0.64 to 1.00; current ratio, beginning with the fiscal quarter ending September 30, 2017, not to be less than 1.00 to 1.00 and Permitted Drilling Cost Variance not to be greater than 10.0%. As of December 31, 2017, the Company was not in compliance with the Permitted Drilling Cost Variance and during February 2018 the Company received a $1,000,000 equity injection to cure the violation. As of March 31, 2018, the Company was not incompliance with PDP Asset Coverage Ratio and the Current Ratio. Subsequent to year end December 31, 2017, the Company restructured the debt obligation by paying all outstanding amounts through the use of proceeds from a new term loan and revolving bank loan, as disclosed below.

In February 2018, the Company drew an additional $10,000,000 as debt on the NPA. The Company paid all outstanding balances under the NPA with proceeds from a new term loan and a revolving bank loan on September 17, 2018. Due to the payment of the NPA and restructuring of the existing loans, all existing liens and covenants under the NPA were settled upon payment.

The Company entered into a Term Loan Credit Agreement (the Term Loan) on September 17, 2018 which allows for a total debt commitment $475,000,000 and a maturity date of September 17, 2022. The Term Loan is collateralized by MTE's capital stock, cash and credit accounts as well as all of the Company's oil and gas assets and accrues interest at a rate of 9% plus LIBOR, which is due quarterly. The interest rate at December 31, 2018 was 11.396%. The Term Loan is subject to certain covenants, which include: annual audited financial statements within 120 days of year-end; monthly and quarterly unaudited financial statements; bi-annual reserve reports; a leverage ratio beginning with September 30, 2018 not greater than 4.75 to 1; an interest coverage ratio beginning with September 30, 2018 not less than 2 to 1; a total asset coverage ratio beginning June 30, 2018 and ending June 30, 2020 not less than 1 to 1; and a PDP asset coverage ratio beginning September 30, 2020 not less than 1 to 1. The Company was in compliance with the affirmative covenants of the Term Loan at December 31, 2018, with the exception of issuing consolidated financial statements within 120 days of year-end. A waiver was obtained for this covenant violation. The outstanding balance of the Term Loan at December 31, 2018 is $290,000,000 and has been classified as long-term.

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In conjunction with the Term Loan, the Company entered into a Reserve Based Revolving Loan (the RBL) on September 17, 2018, which allows for a total debt commitment of $300,000,000 and a maturity date of March 17, 2022. The RBL is collateralized by all of the Company's oil and gas assets. The RBL accrues interest at either the ABR loan rate, due quarterly, or the Eurodollar loan rate, due between one and six months based on the election of the Company, as defined in the agreement. The ABR loan rate consists of the greater of a) the Prime Rate, b) the NYFRB Rate plus .5%, and c) the Adjusted LIBO Rate plus 1% as defined in the agreement plus the Applicable Margin which ranges from 1.75% to 2.75% based on the borrowing base utilization. The Eurodollar loan rate consists of the Adjusted LIBO Rate plus the Applicable Margin which ranges from 2.75% to 3.75% based on the borrowing base utilization. The interest rate at December 31, 2018 was 5.38%. The borrowing base has semi-annual scheduled redetermination periods as well as interim redetermination periods beginning with October 1, 2018 and April 1, 2019. The RBL is subject to certain covenants, which include: annual audited financial statements within 120 days of year-end; monthly and quarterly unaudited financial statements; bi-annual reserve reports; a consolidated total leverage ratio beginning with September 30, 2018 not greater than 4 to 1; a current ratio beginning with September 30, 2018 not less than 1 to 1; and an interest coverage ratio beginning with September 30, 2018 not less than 2 to 1. The Company was in compliance with the affirmative covenants of the RBL at December 31, 2018, with the exception of issuing consolidated financial statements within 120 days of year-end, not meeting the current ratio of 1.00 to 1.00 and not meeting the consolidated leverage ratio of 4.00 to 1.00 as of September 30, 2018. A waiver was obtained for these covenant violations. The outstanding balance of the RBL at December 31, 2018 is $44,000,000 and has been classified as long-term. The initial borrowing base of the RBL was $75,000,000 which remained the borrowing base through December 31, 2018. In February 2019, the borrowing base was increased to $90,000,000.

The Company has other notes payable outstanding at December 31, 2018 and 2017 in the amount of $100,792 and $66,957, respectively, used to finance vehicles included in other property and equipment. These notes have maturity dates ranging from March 2019 to June 2022, with stated interest rates ranging from 2% to 6%. These notes have fixed principal and interest payments due monthly in the amount of $7,235. Interest expense under these notes for the years ended December 31, 2018 and 2017 totaled $4,133 and $8,898, respectively.

Note 7. Commitments and Contingencies

Contingencies

In the course of its business affairs and operations, the Company is subject to possible loss contingencies arising from third party litigation, federal, state and local environmental and health and safety laws and regulations.

There are no matters which, in the opinion of management, will have a material adverse effect on the financial position, results of operations or cash flows of the Company.

Environmental Issues

The Company's operations are subject to risks normally incidental to the exploration for and the production of oil and gas, including blowouts, fires, and environmental risks such as oil spills or gas leaks that could expose the Company to liabilities associated with these risks. In the Company's acquisition of existing or previously drilled well bores, the Company may not be aware of what environmental safeguards were taken at the time such wells were drilled or during such time the wells were operated. The Company maintains comprehensive insurance coverage that it believes is adequate to mitigate the risk of any adverse financial effects associated with these risks.

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However, should it be determined that a liability exists with respect to any environmental cleanup or restoration, the liability to cure such a violation could still fall upon the Company. No claim has been made, nor is the Company aware of the assertion of any liability which the Company may have, as it relates to any environmental cleanup, restoration or the violation of any rules or regulations relating thereto. In addition, the Company is subject to extensive regulation at the federal and state levels that may materially affect its operations.

Note 8. Significant Concentrations

The Company regularly maintains its cash and cash equivalents in bank deposit accounts which, at times, may exceed federally insured limits. The Company has not experienced any losses with respect to the related risks to cash and cash equivalents and does not believe its exposure to such risk to be more than nominal.

The Company had revenues from seven purchasers which accounted for 100% of the 2018 and 2017 oil and gas sales and accounts receivable – oil and gas sales, respectively. This concentration of customers may impact the Company's overall business risk, either positively or negatively, in that these entities may be similarly affected by changes in economic or other conditions. The Company believes this risk is mitigated by the size, reputation and nature of its purchasers. The Company generates 100% of its revenues from oil and gas production in Texas. These concentrations may also impact the Company by changes in the Texas region.

Major vendors are defined as those individually comprising more than 10% of the Company's accounts payable. As of December 31, 2018, the Company had no major vendors individually representing more than 10% of the Company's accounts payable – trade. As of December 31, 2017, the Company had one major vendor representing 22% of the Company's accounts payable – trade.

Note 9. Derivative Financial Instruments

The Company uses derivative financial instruments to manage its exposure to commodity volatility, support the Company's capital budget and expenditure plans, and support the economics associated with acquisitions by stabilizing cash flows.

The Company does not enter into derivative instruments for speculative or trading purposes. The Company accounts for derivatives in accordance with FASB ASC Topic 815, *Accounting for Derivative Instruments and Hedging Activity (as amended)* (ASC Topic 815). Currently, the Company does not designate its derivative instruments to qualify for hedge accounting. Accordingly, the Company reflects changes in the fair value of its derivative instruments in its consolidated statements of operations as they occur.

Commodity derivative instruments may take the form of collars, swaps or other derivatives indexed to NYMEX or other commodity price indexes. Such derivative instruments will not exceed anticipated production volumes, are expected to have a reasonable correlation between price movements in the futures market and the spot markets where the Company's production is sold, and are authorized by the Board of Managers. Derivatives are expected to be realized as related production occurs, but may be terminated earlier if anticipated downward price movement occurs or if the Company believes the potential for such movement has abated.

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The Company entered into a series of crude oil collar contracts to fix their crude oil price exposure. The periods covered, notional amounts, fixed price and related commodity pricing index of the Company's outstanding crude oil derivative contracts as of December 31, 2018 are set forth in the table below:

				Collars or Asian Options (Put/Call)		
Period	Type of Contract	Index	Total Bbls	Weighted Average Floor Price (Put)	Weighted Average Ceiling Price (Call)	Premium per Bbl
2019	Collars	NYMEX WTI	23,850	$ 49.00	$ 51.21	$ 3.90
2019	Collars	NYMEX WTI	141,644	58.00	61.30	3.05
2019/2020	Collars	NYMEX WTI	225,349	56.00	58.86	3.75
2019	Asian Option	NYMEX WTI	147,200	65.00	70.80	-
2019	Asian Option	NYMEX WTI	118,300	62.00	-	1.76
2019	Asian Option	NYMEX WTI	118,300	62.00	-	1.76
2019	Asian Option	NYMEX WTI	118,300	62.00	-	1.76
2019/2020	Asian Option	NYMEX WTI	118,300	62.00	-	1.76
2019	Asian Option	NYMEX WTI	348,400	63.25	67.12	-
2019	Asian Option	NYMEX WTI	38,159	49.00	51.25	-
2019/2020	Asian Option	NYMEX WTI	62,531	58.00	61.30	-
2019/2020	Asian Option	NYMEX WTI	119,381	56.00	58.86	-

The following table sets forth the cash settlements and non-cash fair value adjustments for derivative instruments not designated as hedges for the year ended December 31, 2018, which is presented as realized and unrealized gains on derivative instruments in the accompanying consolidated statements of operations.

	2018
Oil and gas derivatives	
Cash payments, upon settlement	$ (66,923)
Fair value adjustment gain (loss)	8,165,767
Realized and unrealized (loss) gain on oil and gas derivatives	$ 8,098,844

Note 10. Fair Value Measurements

FASB ASC Topic 820, *Fair Value Measurements and Disclosure* (ASC Topic 820), defines fair value as the price that would be received to sell an asset, or paid to transfer a liability, in an orderly transaction between market participants at the measurement date. ASC Topic 820 provides a framework for measuring fair value, establishes a three level hierarchy for fair value measurements based upon the transparency of inputs to the valuation of an asset or liability as of the measurement date and requires consideration of the counterparty's creditworthiness when valuing certain assets.

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The three-level fair value hierarchy for disclosure of fair value measurements defined by ASC Topic 820 is as follows:

Level 1	Unadjusted, quoted prices in active markets that are accessible at the measurement date for identical, unrestricted assets or liabilities. An active market is defined as a market where transactions for the financial instrument occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
Level 2	Inputs, other than quoted prices within Level 1, that are either directly or indirectly observable for the asset or liability through correlation with market data at the measurement date and for the duration of the instrument's anticipated life.
Level 3	Prices or valuations that require unobservable inputs that are both significant to the fair value measurement and unobservable. Valuation under Level 3 generally involves a significant degree of judgment from management.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Where available, fair value is based on observable market prices or parameters or derived from such prices or parameters. Where observable prices or inputs are not available, valuation models are applied. These valuation techniques involve some level of management estimation and judgment, the degree of which is dependent on the price transparency for the instruments or market and the instrument's complexity. The Company reflects transfers between the three levels at the beginning of the reporting period in which the availability of observable inputs no longer justifies classification in the original level. There were no transfers between fair value hierarchy levels for the years ended December 31, 2018 and 2017.

Fair Value Measured on a Recurring Basis

Derivative financial instruments are carried at fair value and measured on a recurring basis. The derivative financial instruments consist of puts and calls collars for crude oil. The Company's derivatives are valued based on a discounted future cash flow model. The primary input for the model is published forward commodity price curves. The Company's model is validated by the counterparty's marked-to-market statements. The collars are also designated as Level 2 within the valuation hierarchy.

The fair values of commodity derivative instruments in an asset position include a measure of counterparty nonperformance risk, and the fair values of commodity derivative instruments in a liability position include a measure of the Company's nonperformance risk. These measurements were not material to the consolidated financial statements.

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The following table sets forth, by fair value hierarchy level, the Company's financial assets and liabilities that were accounted for at fair value as of December 31, 2018 and 2017.

	Level 1	Level 2	Level 3	Total Fair Value December 31, 2018
Financial assets				
Current derivative asset	$ -	$ 5,487,717	$ -	$ 5,487,717
Long-term derivative asset	-	2,678,050	-	2,678,050
Total financial assets	$ -	$ 8,165,767	$ -	$ 8,165,767

	Level 1	Level 2	Level 3	Total Fair Value December 31, 2017
Financial liabilities				
Current derivative liability	$ -	$ (408,037)	$ -	$ (408,037)
Long-term derivative liability	-	(134,786)	-	(134,786)
Total financial liabilities	$ -	$ (542,823)	$ -	$ (542,823)

Fair Value Measured on a Nonrecurring Basis

Asset Retirement Obligation

The initial asset retirement obligation estimates are derived from historical costs and management's expectation of future cost environments and, therefore, the Company has designated these liabilities as Level 3 measurements. The significant inputs to this fair value measurement include estimates of plugging, abandonment and remediation costs, well life, inflation and credit-adjusted risk free rate. See Note 5, Asset Retirement Obligations, for a reconciliation of the beginning and ending balances of the liability for the Company's asset retirement obligations.

Note 11. Subsequent Events

During April 2019, the Company drew an additional $65 million on the Term Loan.

During May 2019, the Company entered into new Asian Option crude oil hedges for 670,137 notional barrels at a put price of $58.00 and a call price of $60.00 with settlements through April 2021.